

P-421/M-86-660APPROVING TARIFF CHANGE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Northwestern Bell's
Request to Change the Name of Its
Maintenance of Service Charge to Trouble
Isolation Charge and to Reduce Its Rate

ISSUE DATE: June 15, 1989

DOCKET NO. P-421/M-86-660

ORDER APPROVING TARIFF CHANGE

PROCEDURAL HISTORY

On November 5, 1986, NWB filed a proposal with the Minnesota Public Utilities Commission (the Commission) to change the name of its Maintenance of Service Charge to Trouble Isolation Charge (TIC) and to reduce its rate from \$52.00 to \$30.00. Today, a business or residential customer of the Company who has a problem with telephone service can ask that a NWB technician test the local network to determine whether the problem is due to a malfunction of the local network. Currently, NWB's technician checks both its local network as well as the customer's inside wire. The customer pays nothing if the problem is in the local network (NWB's facilities) or the customer's inside wire. If the trouble is not in NWB's network or the customer's inside wire, the customer is charged \$52.00 as Maintenance of Service Charge.

Under NWB's proposal, NWB would check its network up to the point of demarcation. The Company would no longer check the customer's inside wire to isolate any problem the customer might be having.

On August 31, 1987, the Department of Public Service (Department or DPS) submitted its Report of Investigation and Recommendation to the Commission. The DPS recommended that separate rates be established for business and residential customers.

On September 3, 1987, the Commission solicited outside comments on NWB's proposal and the DPS report. Comments were received from the Residential Utilities Division of the Office of the Attorney General (RUD-OAG); the Minnesota Business Utilities Users Council (MBUUC); and the Antitrust Division of the Office of the Attorney General (AD-OAG).

The Commission met on October 27, 1988 to consider this matter.

On December 16, 1988, the Commission issued its ORDER REQUIRING REPORT in this matter. In that Order, the Commission directed the Company to meet with the Commission's staff, the

Department, and other interested parties to analyze and evaluate alternatives to the Company's proposal. The DPS was ordered to submit a progress report within 30 days.

On January 5, 1989, the DPS requested and was granted a time extension until March 31, 1989 to file the report.

The RUD-OAG and the MBUUC met with the Company and members of the Department's and Commission's staffs. The Department submitted the group's report on March 24, 1989 which analyzed five options and the positions of the parties.

The Commission met on May 24, 1989 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission must decide whether the proposed tariff changes result in fair and reasonable rates as required by Minn. Stat. § 237.06 (1988).

The Commission has analyzed the report of the study group and the five options explained within it.

Option One calls for the installation of a trouble isolation device, a System Network Interface (SNI), in all single family and duplex residences within one year. Option Two would require NWB to install SNIs in all single family and duplex residences at the time of a trouble isolation dispatch. It would take approximately eight years to completely retrofit all single family and duplex residences under this option. Both Options One and Two would authorize NWB to establish TIC charges of \$25.00 for residential and \$30.00 for business customers. However, SNIs would be installed only at residences. The residential customer's \$25.00 TIC charge is less than the expected total cost for installing an SNI. The remaining cost would be added to NWB's gross plant accounts, thus becoming part of its rate base. Either of these options would lead to a rate increase for the general body of ratepayers.

Option Three would require the installation of an SNI when a telephone service problem is in a residential customer's inside wire or customer's premises equipment. NWB would charge \$25.00 for trouble isolation and install an SNI; NWB would charge business customers \$30.00 for trouble isolation, but business locations would not be retrofitted with SNIs. Again, the residential customer's \$25.00 charge is less than the expected total cost and the remaining cost would be added to NWB's gross plant accounts and become part of its rate base.

Option Four would require NWB to withdraw its petition.

Option Five would authorize NWB to establish TIC rates of \$18.25 for residential and \$30.00 for business customers. No customer locations would be automatically retrofitted with SNIs and there would be no charge if NWB's network is the source of the customer's problem.

The study group recommended either the third or the fifth options. The MBUUC had a strong preference for the fifth option, while the Department and the RUD-OAG had a strong preference for the third option. The Company stated that it could support either the third or the fifth option.

The Commission notes that the first and the second options require more study before NWB could provide good estimates of their total ratemaking effects and costs. As explained above, both of these options will lead to an increase in local rates. The Company estimates that approximately 5% of its customers are likely to actually have a Trouble Isolation Charge applied. It appears to the Commission that a large investment, approximately \$29 million, would be spent on equipment that may be needed by very few customers. The Commission finds it is unnecessary and unnecessarily expensive to require all residences to be equipped with SNIs. The Commission will reject these options.

Additionally, the Commission will reject the fourth option because the Company has not withdrawn its proposed tariff.

The Commission finds that the third option involves investments in equipment which may not be needed in the future. There is no record to indicate that NWB has made repeated calls to the same customer for trouble isolation. Further this option gives NWB, not the customer, the decision making power to install these devices. Also, this option ignores business customers. It assumes that business customers are sophisticated enough to handle any problems they have with their telephone services. The Commission believes that many small businesses are not capable of isolating problems in their systems. According to NWB, the Company receives as many trouble isolation calls from its business customers as it does from its residential customers. For these reasons, the Commission will reject this option.

The Commission will adopt the fifth option which calls for a trouble isolation charge without "automatic" installation of an SNI when a customer calls for trouble isolation. However, the customer, either residential or business, would have the option of having an SNI installed at his own expense. This choice does not have the potential that the other options have of significantly increasing NWB's rate base. It should foster customers taking the initiative to test their equipment when they can. Simple, inexpensive devices are available in discount and hardware stores to help customers do so. Costs would be borne by the cost causer, rather than the general body of ratepayers. Further, the charges proposed under this option are shown by NWB to cover its cost. The Commission concludes that this option will result in fair and reasonable rates as required by Minnesota law and will approve it.

A significant aspect of this filing is educating consumers. The point of demarcation for trouble isolation will be altered from what it currently is and the general public needs to be made aware of this. Currently under its Maintenance of Service tariff, NWB goes beyond the point of demarcation to detect any possible problem in the customer's inside wire. Under the Commission's decision here, NWB's responsibility will be limited to its network, up to the established point of demarcation. The Commission will require the Company to prepare and submit for approval an informational brochure to inform the public of these changes.

ORDER

1. The Commission hereby approves NWB's request to change the name of its Maintenance of Service Charge to Trouble Isolation Charge and approves the tariff changes described in Option Five above. The approved changes shall be effective on August 15, 1989.
2. The Company shall submit revised tariff pages reflecting the decisions made herewithin to the Department of Public Service within 30 days of the service date of this Order.
3. The Company shall submit the educational brochure described above to the Commission for review and approval within 30 days of the service date of this Order.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

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